

NELSON CITY COUNCIL PRE-ELECTION REPORT 2019



As required under the
Local Government Act 2002

**STAND
VOTE**

**VOTE
2019**

**IN THE
PLACE
THAT
YOU
LOVE.**



Nelson City Council
tē kaunihera o whakatū



CONTENTS

Purpose of this document	3	Capital expenditure	24
Supporting Information	3	Debt affordability	26
Chief Executive's Foreword	4	Sources of income	28
Nelson City Council	5	Investments	28
Nelson City Council Snapshots	6	Planned operational spending	29
Council's vision and community outcomes	8	Infrastructure Strategy	29
Our challenges and opportunities	11	Our finances	30
Our major projects and initiatives	12	Summary statement of financial position	31
What Council does	14	Funding impact statement	32
Cost of services	22	Summary of cash flows	33
Financial Strategy	24	Financial information in this report	34
Rates	24		
Borrowings	24		



PURPOSE OF THIS DOCUMENT

This pre-election report is designed to provide information for the community and individuals considering standing for election to Council in 2019.

The report is required by law (the Local Government Act 2002). It is the responsibility of the local authority to provide an overview of the Council's position prior to the local body elections in October 2019.

It is intended to encourage community discussion about the issues facing the Council and support an informed election debate.

The report draws on Council's *Shaping Nelson's Future Long Term Plan 2018–2028* as well as annual plans and annual reports from the past three years.

The financial information is required to show whether the Council has met its financial targets and stayed within the approved limits contained within the Long Term Plan. It also provides projected financial information for the next three years.

Much of the financial information in this report is drawn from sources that have been audited, such as annual reports. However, information relating to the 2018/19 year is yet to be audited and is based on estimated data¹.

¹ There is no requirement for this to be audited for this pre-election report.

SUPPORTING INFORMATION

For further information on the plans and reports referenced in this pre-election report, please see the Nelson City Council website or visit our service centre or libraries to review the relevant documents.



Online at
nelson.govt.nz



Customer Service
Centre at the corner
of Trafalgar and
Halifax Streets



The public libraries:
Elma Turner Library
27 Halifax Street, Nelson
Stoke Library,
35 Putaitai Street, Nelson
Nightingale Library Memorial,
2 Beach Road, Tahunanui



CHIEF EXECUTIVE'S MESSAGE

Tēnā koutou

As Chief Executive of Nelson City Council, I'm pleased to present this report ahead of the 2019 local body elections.

Every local authority prepares a pre-election report to inform the voting community and prospective candidates in advance of the election.

This report provides a comprehensive overview of the current position and future direction of Nelson City Council, including our financial position, planned spending, and the significant issues we are likely to face as a Council.

It outlines Council's efforts to deliver on the vision of Nelson as The Smart Little City, he tāone tōrire a Whakatū. This

includes Council's provision of a broad range of services to our community, and the major projects and initiatives we plan to undertake in the next three years.

I invite you to take a look through our pre-election report and read about our Council and our city's challenges and opportunities. We look forward to working alongside you all to make Nelson an even better place.

Ngā mihi



Pat Dougherty
CHIEF EXECUTIVE



NELSON CITY COUNCIL

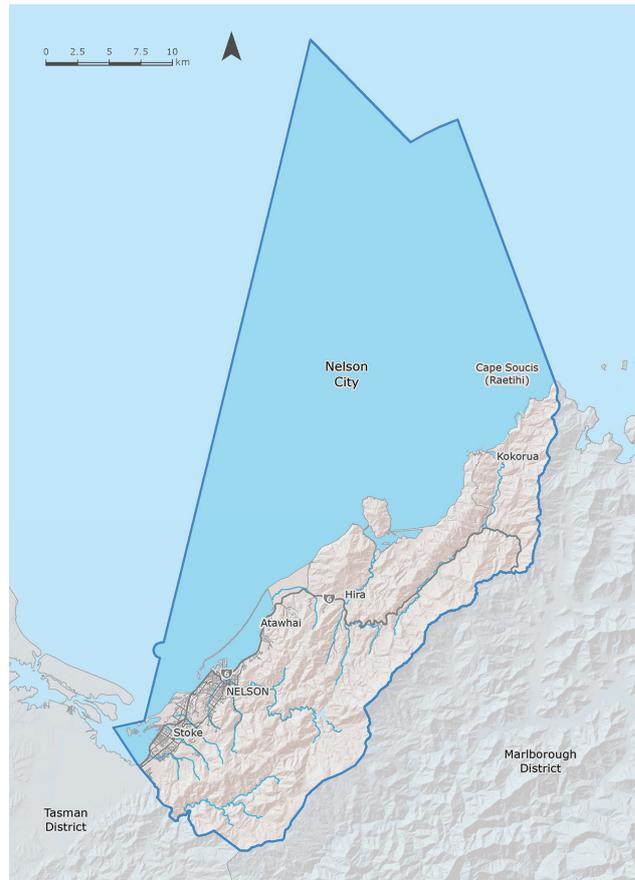


COUNCIL'S ROLE

Te Kaunihera o Whakatū (Nelson City Council) is one of six unitary authorities in New Zealand. That means we deliver the combined responsibilities of both a district and a regional council. Our area of responsibility covers the river valleys, low hills and plains inland of the Nelson Haven and Waimea Estuary and stretches northeast to Cape Soucis (Raetihi). We provide services to approximately 52,100 residents, most of whom live in the urban areas of Nelson, Tahunanui, and Stoke. A small number of people live in the surrounding rural area.

We manage a range of local infrastructure, for example, roads and footpaths, the piped network (for water and wastewater) and the Maitai Dam, and community infrastructure such as libraries, parks, sports stadiums, and community halls. We also carry out science and environment activities, land use planning, and resource management functions, and develop plans to meet the current and future needs of the city. In doing so, we work closely with neighbouring councils, in particular Tasman District Council with whom we jointly deliver some services. The table on pages 6 and 7 provides a snapshot of Council and the infrastructure and services we provide to the community.

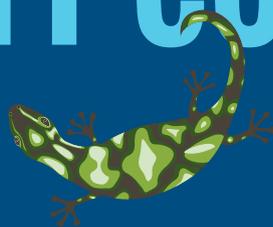
We operate under a wide range of legislation, with the Local Government Act 2002 and the Resource Management Act 1991 particularly important. This legislation sets out when and how communities should be consulted on a range of different matters. We also continue to build our partnership with Te Tau Ihu (top of the South) iwi: Ngāti Kuia, Rangitāne, Ngāti Apa Ki te Rā Tō, Ngāti Koata, Ngāti Rārua, Ngāti Toa Rangitira, Ngāti Tama and Te Āti Awa. Together, this work represents an essential part of delivering on local government's purpose – enabling local decision-



making and action by, and on behalf of, communities and promoting the social, economic, environmental, and cultural wellbeing of communities in the present and for the future.

The role of promoting these four wellbeings (social, economic, environmental, and cultural) both in the present and for the future has recently been reintroduced to the purpose of local government (in the Local Government Act). Other areas of central government policy development that could have significant implications for local government include the Three Waters Review (considering the delivery of drinking water, stormwater, and wastewater management) and the Climate Change Response (Zero Carbon) Amendment Bill (focused on actions to limit climate change, as well as adapt to its effects).

NELSON CITY COUNCIL SNAPSHOT



<p>TRANSPORT</p> 	<p>268km of roads 380km of footpaths, walkways and cycleways 4,869 streetlights 13 traffic signals 418,000 bus patrons per year</p>
<p>WATER SUPPLY</p> 	<p>400km of pipes 2 dams 1 water treatment plant 36 reservoirs and tanks 13 pump stations</p>
<p>STORMWATER AND FLOOD PROTECTION</p> 	<p>202km of pipes 4,563 manholes 24 tide gates 31.5km of urban rivers and streams being managed for flood protection reasons 59,693 m² of bank protection works 14 detention dams</p>
<p>WASTEWATER</p> 	<p>2 treatment plants (one jointly owned with Tasman District Council) 420km of pipes, including approximately 40 km of rising mains 25 pump stations 6,780 manholes</p>
<p>SOLID WASTE</p> 	<p>2 landfills (jointly managed with Tasman District Council) 1 transfer station 93% of Nelson residents reported using kerbside recycling services at least monthly</p>
<p>SOCIAL AND CULTURAL</p> 	<p>32 funding agreements each year 27 small grants last year \$323,000 provided to support community organisations through the Community Investment Fund per year \$50,000 towards community partnership projects in 2018/19 \$100,000 for the Warmer Healthier Homes programme per year 18 arts, culture and heritage events delivered by Nelson City Council in 2018/19 4 large scale events hosted in Nelson last year that each hosted approximately 20,000 people</p>

<p>PARKS AND ACTIVE RECREATION</p> 	<p>11,250 hectares of parks and reserves 12 sportsgrounds 546 hectares of forestry</p>
<p>ENVIRONMENTAL PLANNING AND MANAGEMENT</p> 	<p>275 manual flow gaugings at 15 hydrometric stations \$150,000 of environmental data analysis completed each year 20 years of environmental data held by Council 24 community environmental events last year 193 landowners, homeowners and groups visited last year \$754,500 approved for a climate change work programme in 2019/20, including a reserve fund for projects</p>
<p>REGULATORY SERVICES</p> 	<p>1 resource management plan in development that will combine the content from three existing plans 900+ building consents per year 400+ resource consents per year 800+ licences and other approvals per year 9 bylaws</p>
<p>COMMUNITY FACILITIES</p> 	<p>5 premier facilities/community centres 3 public libraries 3 campgrounds (two are leased) 2 pools 1 marina 1 crematorium</p>
<p>CITY CENTRE</p> 	<p>6 "key moves" underway to enhance our city centre \$320,000 less in rates this year for city centre businesses due to reduction in commercial differential \$50,000 this year for utilisation and activation of vacant shop space</p>
<p>CORPORATE AND GOVERNANCE</p> 	<p>50,000 calls from customers answered by our award winning customer service team each year 17,000 enquiries answered via online channels each year 267 full-time equivalent staff employed by Council \$1.7 billion of assets that we look after on behalf of Nelson \$117.6 million average operating budget per year \$77 million in rates revenue in 2018/19 8 Council Controlled Organisations</p>

COUNCIL'S VISION AND COMMUNITY OUTCOMES

OUR VISION

Nelson is The Smart Little City, he tāone tōrire a Whakatū.

Nelson is a vibrant place where we are deeply connected with, and committed to, our natural, social, and cultural environment. Clever business and innovation help us thrive, and residents enjoy living fulfilled lives in smart, sustainable communities.

OUR MISSION

We leverage our resources to shape an exceptional place to live, work and play.

OUR PRIORITIES

There are four areas of particular priority for Council. These are:

- Infrastructure
- Environment
- City Centre Development
- Lifting Council performance



COMMUNITY OUTCOMES

The eight community outcomes that we aim to advance are:



Our unique natural environment is healthy and protected



Our communities have opportunities to celebrate and explore their heritage, identity and creativity



Our urban and rural environments are people-friendly, well planned and sustainably managed



Our communities have access to a range of social, educational and recreational facilities and activities



Our infrastructure is efficient, cost effective and meets current and future needs



Our council provides leadership and fosters partnerships, a regional perspective, and community engagement



Our communities are healthy, safe, inclusive and resilient



Our region is supported by an innovative and sustainable economy.





OUR CHALLENGES & OPPORTUNITIES

- Delivering infrastructure and maintaining levels of service that meet community expectations, while remaining within financial limits, is a challenge for Council. We have \$1.7 billion in assets, mainly relating to roads and three waters infrastructure. These assets need to be replaced and renewed as they approach the end of their useful life, which can result in significant costs. As part of good asset planning, we balance the need for renewals against rates and debt limits. Council's Long Term Plan 2018-2028 has set aside \$121.8 million for infrastructure renewals.
- Rates affordability can be a difficult balancing act in Nelson given factors such as Council costs increasing faster than the Consumer Price Index (CPI), increasing community expectations as to the facilities and services they should be able to access, and an increasing older population on fixed incomes.
- Climate change will be a major challenge for the region, and for Council, in coming years. Council is focused on reducing greenhouse gas emissions from Council activities, working with the community to encourage emissions reductions and to build resilience, and adapting to the impacts of climate change. Council's provision of infrastructure and services to the community could be impacted by more severe weather events and we may face higher insurance costs and more legal risks related to Council's decisions on climate change adaptation.
- Population growth presents both challenges and opportunities for Council. Nelson's population is projected to grow to approximately 59,000 people by 2028. Combined with other factors (such as declining occupancy rates in existing dwellings) we expect to require around 6,500 new houses over this period. A growing population creates new dynamism and economic activity, but can also put additional pressure on infrastructure, housing, planning and land use management, the environment, and social support networks. Getting the balance right between these factors is key to enabling a high-functioning, integrated, and vibrant city.
- Catering for the needs of Nelson's ageing population will be a major focus. Nelson has a high proportion of older people (it is in the top third of territorial authority populations for this measure). There are more older residents (65 and above) in Nelson than children (0-14). Council is working to ensure the wellbeing and cohesion of our community, including ensuring that older adults remain socially connected.
- Equally, there is a need to ensure that young people are valued and encouraged to thrive in Nelson. We also want to attract talented working-age newcomers to our city to address skills shortages. While our region has enjoyed sustained GDP growth for almost a decade, productivity and wages both remain below the national average.
- Another major area of focus is ensuring we have a safe, accessible and resilient transport system that meets the diverse needs of transport users and the community. Council is working with the New Zealand Transport Agency on the Future Access Study to develop a transport system which supports a thriving city centre, world class waterfront, reduced emissions and a healthy environment. This includes making the most of existing infrastructure and services as well as adopting new and emerging technologies.
- We continue to work towards ensuring Council is adequately staffed and resourced to deliver a broad work programme, engage effectively with the community, and respond to unexpected events or new policy or legislative requirements.
- There are significant opportunities for mutual benefit by working together with local iwi in a post-settlement environment to maximise the economic, social, cultural, and environmental outcomes for iwi, Māori, and the broader region.

OUR MAJOR PROJECTS AND INITIATIVES



Nelson is the Smart Little City:
he tāone tōrire a whakatū

* The costs outlined in relation to these projects relate to the period from 2019/20 to 2022/23, i.e. a four year period, unless otherwise specified.

INFRASTRUCTURE AND FACILITIES

ELMA TURNER LIBRARY

The Elma Turner Library will be redeveloped to ensure that it remains a well-used community hub and to expand community space. The project is scheduled for completion in 2023.

\$14.5 million capital expenditure.

WASTEWATER SYSTEM UPGRADES

Council is continuing work on a long term programme of major upgrades to wastewater infrastructure, including pump stations, pipes, and sewers. This programme will improve the reliability, efficiency and environmental soundness of the wastewater system.

\$26.2 million capital expenditure.

SAXTON CREEK UPGRADE

Works are being completed along Saxton Creek to address undersized stormwater culverts and reduce the risk of flooding on Main Road Stoke and nearby commercial properties.

\$6.2 million capital expenditure.

ROAD AND FOOTPATH RENEWALS

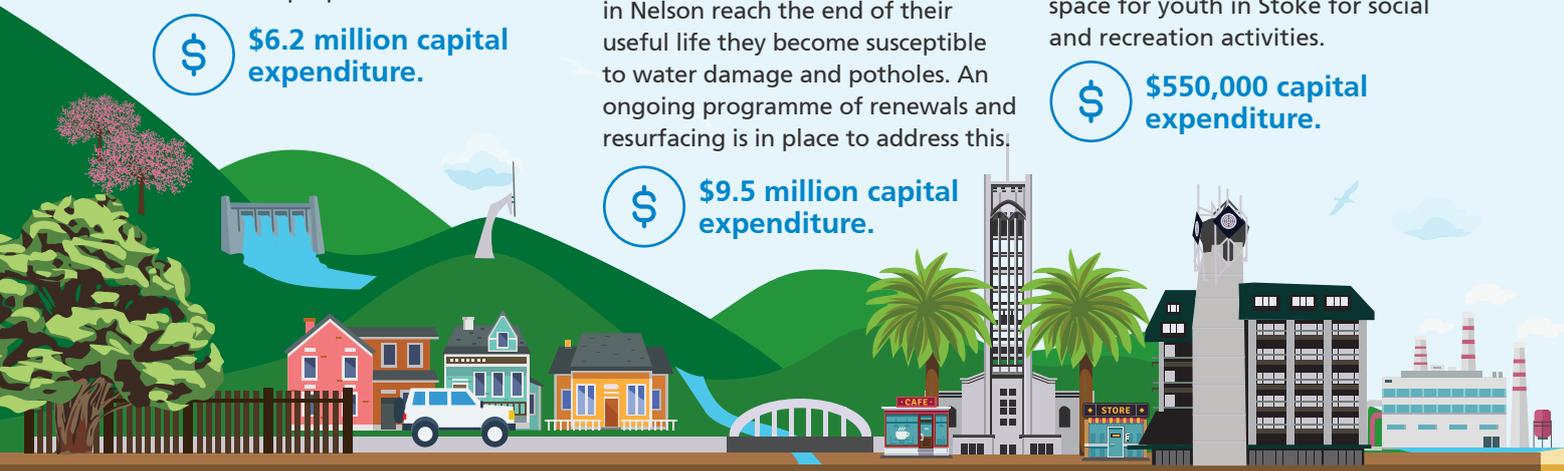
As road surfaces and footpaths in Nelson reach the end of their useful life they become susceptible to water damage and potholes. An ongoing programme of renewals and resurfacing is in place to address this.

\$9.5 million capital expenditure.

STOKE YOUTH FACILITY

There is a gap in the provision of space for youth in Stoke for social and recreation activities.

\$550,000 capital expenditure.



CITY CENTRE DEVELOPMENT

THE CITY CENTRE PROGRAMME

The City Centre Programme is focused on building an environment that supports commerce, encourages inner city living, and is a catalyst for private sector investment. The programme has six key priorities: destination Nelson (a people-focused centre with established precincts), walkable Nelson (human-scaled blocks, walkability and laneway links), blue green heart (linking the centre to the natural environment), smart development (enabling intensification, diversification and mixed use), liveable centre (residential in the city centre), and smart business (local businesses contribute to Nelson's identity and sense of place).

\$ \$2.3 million capital expenditure and \$280,000 operational expenditure.

LIFTING COUNCIL PERFORMANCE

FACILITY UPGRADES

We are addressing long-term underinvestment in working conditions in order to bring office space for Council up to an adequate standard.

\$ \$4.9 million capital expenditure.

RECRUITMENT AND RETENTION OF STAFF

Council is short of resources in some areas, resulting in risks to project delivery and increased costs from engaging contractors and consultants.

\$ We have budgeted \$1.169 million in 2019/20 to address staffing levels and ensure pay structures remain in line with market movements.

ENVIRONMENT

WHAKAMAHERE WHAKATŪ NELSON PLAN

This new unitary plan will provide a framework to help manage growth, development, and the protection of our natural environment, for example setting limits for subdivision, building heights, earthworks, and discharging pollutants into waterways.

\$ \$1.3 million operating expenditure.

SCIENCE AND ENVIRONMENT PROGRAMMES

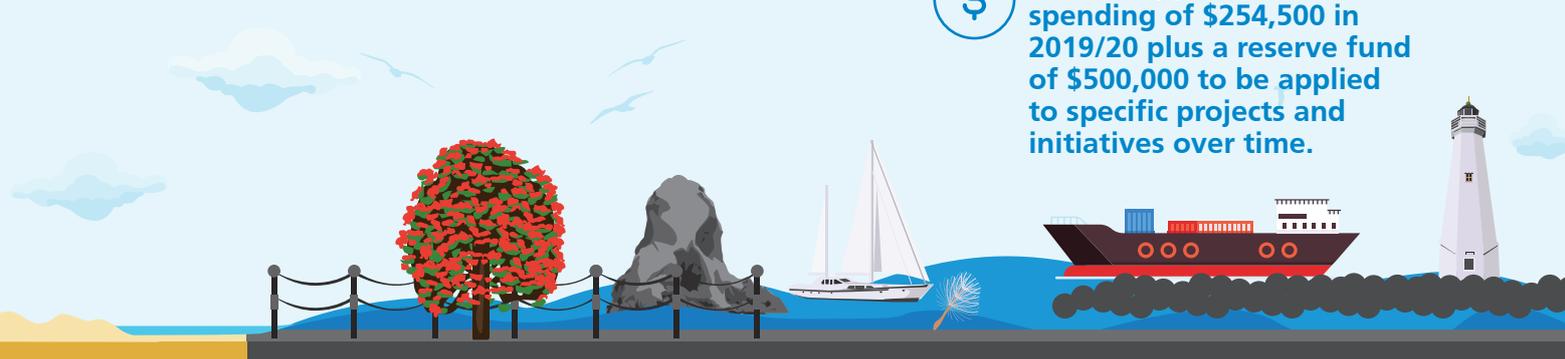
Working with a range of stakeholders, these programmes protect and build the resilience of our natural environment and meet the statutory requirements for our regional council related functions. Programmes include: state of the environment monitoring; Nelson Nature; Healthy Streams; waste minimisation; air quality; land management; and biosecurity programmes.

\$ Together these programmes are an investment of \$7.3 million of operating expenditure and \$975,000 of capital expenditure.

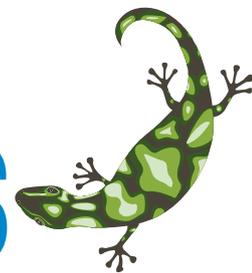
CLIMATE CHANGE

Council will deliver a programme of climate change initiatives, including working with the community to address issues such as coastal hazards. We are also measuring Council's greenhouse gas emissions and putting in place a plan to reduce our emissions.

\$ Council approved dedicated spending of \$254,500 in 2019/20 plus a reserve fund of \$500,000 to be applied to specific projects and initiatives over time.



WHAT COUNCIL DOES



Activity	Our aim	What we do	How we're doing it	How much it costs
TRANSPORT 	<p>A safe, efficient, accessible transport network that enables different modes of transport, including active and low carbon options.</p>	<p>Provide roads and footpaths for driving, parking, cycling and walking.</p> <p>Provide road safety, traffic and parking control, and public transport.</p> <p>Perform the function of a Road Controlling Authority, including administration of speed and vehicle control bylaws, corridor access requests, temporary traffic management plans, licences for structures on road reserve, and heavy vehicle routes.</p>	<p>Investing in multi-use transport infrastructure so that more Nelson residents have access to safe and convenient walking and cycling options and improved public transport.</p> <p>Maintaining a safe, good quality, and smooth roading and footpath network, and exploring the city's future access needs.</p> <p>Collecting and analysing data to understand demand and inform future investments.</p> <p>Investigating smarter options for parking in the city centre, and renewing parking meters.</p>	<p>An average per year of \$21.2 million on operations and \$13.1 million on capital works over the next three years.</p> <p>Of this, the New Zealand Transport Agency is expected to contribute an average per year of \$3.1 million for operations and \$5.5 million for capital works.</p>
WATER SUPPLY 	<p>A potable water supply that is efficient, safe, and reliable, and recognises the community's ecological, environmental, recreational and cultural interests in water.</p>	<p>Provide infrastructure to gather, treat, and distribute high quality water to households, businesses, and for firefighting. This includes the piped network, dams and weirs on the Maitai and Roding Rivers and the water treatment plant at the Tantragee Saddle.</p> <p>Treat raw water using ultra-filtration and chlorination to remove organic material and pathogens.</p>	<p>Replacing infrastructure, as required, including asbestos cement and cast iron pipes and residential water meters.</p> <p>Working to ensure a high quality water supply even in times of drought.</p> <p>Improving the water network's capacity to support firefighting efforts.</p> <p>Minimising water leaks and water losses.</p> <p>Enhancing community resilience through the construction of a second reservoir to provide increased storage capacity in Atawhai.</p>	<p>An average per year of \$12.9 million on operations and \$4.6 million on capital work over the next three years.</p>

Activity	Our aim	What we do	How we're doing it	How much it costs
STORMWATER AND FLOOD PROTECTION 	To prevent harm to people, property, community wellbeing, and the environment from uncontrolled stormwater discharges and flood risks, while recognising ecological, environmental, recreational and cultural interests in water.	<p>Provide pipes, open channels, overland secondary flow paths and flood protection works to increase the volume of water that can be contained and carried away in storm events.</p> <p>Manage flood risk.</p> <p>Contribute to freshwater outcomes.</p>	<p>Ensuring the stormwater system can accommodate growth, and identifying areas with inadequate flood protection.</p> <p>Completing stormwater improvements at Little Go Stream and flood protection works at Saxton Creek and Orphanage Stream.</p> <p>Analysing Maitai River flood response options and identifying implications for the City Centre and The Wood.</p> <p>Balancing stormwater and flood protection improvements with environmental considerations and affordability.</p>	An average per year of \$8.8 million on capital work and \$6.8 million on operations over the next three years.
WASTEWATER 	To prevent harm to people, property, community wellbeing, and the environment from uncontrolled wastewater discharges.	<p>Collect, treat and dispose of wastewater for the Nelson district.</p> <p>Provide a network of pipes and pump stations that carry wastewater to the Nelson Wastewater Treatment Plant at Wakapuaka or to the Bell Island Treatment Plant.</p> <p>Comply with the National Policy Statement for Freshwater and other requirements.</p>	<p>Minimising the risk of unintended discharges from the system.</p> <p>Reducing inflow (stormwater flowing into wastewater pipes) and infiltration (groundwater intrusion into wastewater pipes) that can lead to overflows during wet weather.</p> <p>Upgrading parts of the network that need replacing or are not performing at optimum levels.</p> <p>Increasing the resilience of the wastewater system to natural hazards such as earthquakes and storm events.</p>	An average per year of \$13.2 million on operations and \$9.1 million on capital work for wastewater management over the next three years.

Table continued >

Activity	Our aim	What we do	How we're doing it	How much it costs
<p>SOLID WASTE</p> 	<p>To promote waste minimisation, provide recycling services, and operate solid waste assets sustainably and cost effectively.</p>	<p>Manage the Pascoe Street Transfer Station.</p> <p>Jointly manage, with Tasman District Council, the York Valley Landfill in Nelson and Eves Valley Landfill in Tasman.</p> <p>Manage recycling services to residential properties and schools.</p> <p>Promote waste minimisation.</p>	<p>Implementing the Nelson Tasman Joint Waste Management and Minimisation Plan.</p> <p>Managing the York Valley Landfill using best practice to meet the requirements of our resource consents.</p> <p>Reducing greenhouse gas emissions from landfill, including through methane capture.</p> <p>Monitoring and responding to changes in the international recyclables market.</p>	<p>An average per year of \$8.4 million on operations and \$63,000 for capital work over the next three years.</p>
<p>SOCIAL AND CULTURAL</p> 	<p>To enhance the quality of life of Nelson residents by supporting individual and community resilience, celebrating our history and heritage, and providing a range of arts and cultural opportunities.</p>	<p>Provide social, cultural, arts and heritage facilities, including public libraries.</p> <p>Support a range of community-owned facilities.</p> <p>Hold community events.</p> <p>Provide grants to community groups and partner with social agencies to support vulnerable members of the community.</p>	<p>Investing in and supporting Council and community-owned facilities, including the Bishop Suter Art Gallery, the Nelson Provincial Museum, the Theatre Royal, the Nelson Centre of Musical Arts, and Founders Heritage Park.</p> <p>Redeveloping the Elma Turner Library to ensure it is a major community hub that provides high quality information, digital access, and cultural and creative enrichment.</p> <p>Determining Council's future approach to provision of community housing.</p> <p>Celebrating community volunteers and projects through community awards and events focused on connectedness, culture, and marking special occasions.</p>	<p>An average per year of \$16.4 million on operations and \$5 million on capital work over the next three years.</p>

Activity	Our aim	What we do	How we're doing it	How much it costs
SOCIAL AND CULTURAL ...continued			<p>Partnering with community groups and social service providers.</p> <p>Developing a strategy for Nelson's ageing demographic.</p> <p>Coordinating and engaging with the Youth Council.</p>	
PARKS AND ACTIVE RECREATION 	<p>Enable and foster a healthy and active lifestyle, maintain and enhance biodiversity, and ensure Nelson is a great place to live, work and play.</p>	<p>Manage a network of approximately 11,250 hectares of parks and reserves.</p> <p>Work with Tasman District Council to manage Saxton Field with its wide range of indoor and outdoor sports facilities.</p> <p>Provide a significant proportion of the mountain biking tracks around Nelson.</p> <p>Hold a portfolio of production forestry in order to advance a range of economic, environmental and recreational outcomes.</p> <p>Facilitate delivery of international and national sporting and entertainment events in Nelson.</p>	<p>Ensuring our reserves and facilities are accessible for all ages and abilities.</p> <p>Managing our portfolio of parks and reserves to maximise health, wellbeing and recreational opportunities, as well as biodiversity and environmental outcomes.</p> <p>Maximising the use of Saxton Field and implementing ongoing renewals and upgrades.</p> <p>Investing in additional mountain biking facilities that generate economic returns from tourism and improved health, social and recreational opportunities for residents.</p>	<p>An average per year of \$17.6 million on operations and \$7 million on capital work over the next three years.</p>
ENVIRONMENTAL PLANNING AND MANAGEMENT 	<p>To protect and enhance our unique natural environment, restore our special places, landscapes, native species and natural ecosystems, and recognise the kaitiakitanga role of local iwi.</p>	<p>Environmental research, scientific monitoring and reporting that identifies and addresses threats to the health and sustainability of our natural environment.</p> <p>Climate change mitigation and adaptation initiatives.</p>	<p>Increasing our State of the Environment monitoring to respond to national reporting requirements and provide long term data.</p> <p>Progressing a climate change work programme, including participation in the Certified Emissions Management and Reduction Scheme (CEMARS) and working with the</p>	<p>An average per year of \$6.3 million on operations and \$0.4 million on capital work over the next three years.</p>

Table continued >

Activity	Our aim	What we do	How we're doing it	How much it costs
<p>ENVIRONMENTAL PLANNING AND MANAGEMENT</p> <p>...continued</p>		<p>Resource management plans for the city.</p> <p>Comply with the National Policy Statement (NPS) on Urban Development Capacity.</p> <p>Deliver non-regulatory environmental programmes such as Nelson Nature and the Healthy Streams Programme.</p> <p>Manage the marine environment out to the twelve nautical miles stretching from the Waimea Estuary to Cape Soucis.</p>	<p>community to address climate change issues.</p> <p>Finalising the Future Development Strategy and the Whakamahere Whakatū Nelson Plan, which will enable development while protecting our built and natural environment.</p> <p>Maintaining or improving freshwater quality through an ecosystem approach and the Healthy Streams programme.</p> <p>Enhancing biodiversity through pest plant and animal control, protection and enhancement of significant natural areas, management of coastal margins, development of bio-corridors, protecting threatened species, and habitat restoration.</p> <p>Land management initiatives, including hill country erosion, sediment control, and advice for rural landowners.</p>	
<p>REGULATORY SERVICES</p> 	<p>To provide efficient and effective regulatory services that ensure Nelson's environment and residents are thriving, safe, and healthy and statutory compliance is achieved.</p>	<p>Process building and resource consents and Land Information Memorandum (LIM) requests.</p> <p>Provide GIS mapping services.</p> <p>Oversee and monitor a range of policies, bylaws and systems relating to public health and safety.</p>	<p>Efficiently processing applications for building and resource consents.</p> <p>Implementing service improvements, for example through adoption of new technology for compiling LIM requests.</p> <p>Regularly updating regulations, bylaws and associated policies to ensure they are fit for purpose and achieving their objectives.</p>	<p>An average per year of \$6.8 million on operations over the next three years.</p>

Activity	Our aim	What we do	How we're doing it	How much it costs
REGULATORY SERVICES ...continued			<p>Providing monitoring and enforcement in areas such as food safety, animal control, noise control, pollution response, and alcohol licencing.</p> <p>Maintaining a register of HAIL sites (site that are or could be subject to land contamination as a result of hazardous substance use, storage or disposal).</p> <p>Identifying earthquake prone buildings.</p>	
ECONOMIC 	To ensure that our region is supported by an innovative and sustainable economy.	<p>Foster economic development through provision of city infrastructure and city centre enhancement.</p> <p>Fund the Nelson Regional Development Agency (a Council Controlled Organisation) and Uniquely Nelson.</p> <p>Build relationships with key partners that contribute to the local economy.</p>	<p>Developing our city through a City Centre Enhancement Fund and the appointment of a dedicated City Centre Development Team to take forward six key priorities.</p> <p>Reducing the commercial deferential to keep the city centre competitive in relation to other centres that do not have such a charge.</p> <p>Overseeing the Nelson Regional Development Agency's work facilitating regional economic development and promoting Nelson-Tasman as a tourism and business destination.</p> <p>Working alongside fellow councils, iwi, Wakatu Incorporation, the Nelson Regional Development Agency and businesses to finalise the Te Tauihu Intergenerational</p>	An average per year of \$2.1 million on operations and \$0.3 million on capital work over the next three years.

Table continued >

Activity	Our aim	What we do	How we're doing it	How much it costs
ECONOMIC ...continued			<p>Strategy, an economic development strategy for the Top of the South.</p> <p>Partnering with local stakeholders to maximise opportunities for Nelson arising from central government's Provincial Growth Fund.</p>	
CORPORATE 	<p>To ensure the smooth running of Council, help to set the direction of Council Controlled Organisations, and enhance preparedness and resilience to natural hazards.</p>	<p>Undertake Council operations, including supporting infrastructure and service provision to the community.</p> <p>Manage strategic properties.</p> <p>Oversee the operations of Council Controlled organisations.</p> <p>Build community resilience to hazards and risks.</p>	<p>Providing physical, staffing and information technology resources to support Council operations.</p> <p>Managing strategic properties to ensure they fulfil future development needs.</p> <p>Guiding the operations of Council Controlled Organisations through the annual Statement of Intent process.</p> <p>Encouraging preparedness and managing hazards through Civil Defence Emergency Management planning and delivery.</p>	<p>An average per year of \$9.9 million on operations and \$3 million on capital works over the next three years.</p>
GOVERNANCE 	<p>To promote local democracy and support effective decision-making.</p>	<p>Undertake communication and engagement processes with the community.</p> <p>Support delivery of Council meetings.</p> <p>Deliver local elections.</p>	<p>Involving the community through communication, consultation and engagement, and planning processes.</p> <p>Supporting robust decision-making through efficient and effective governance processes, supporting the conduct of meetings, and the preparation of advice.</p> <p>Running local elections to provide democratic representation for the community.</p>	<p>An average per year of \$6.9 million on operations over the next three years.</p>

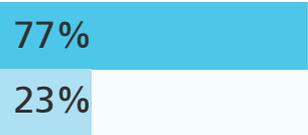
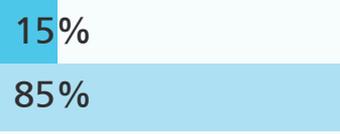
Activity	Our aim	What we do	How we're doing it	How much it costs
<p>WORKING WITH PARTNERS</p> 	<p>To build our partnerships with neighbouring councils and local iwi in order to create benefits for the whole region.</p>	<p>Work with neighbouring councils to advance our common interests and objectives.</p> <p>Maintain effective mechanisms for engagement between Council and local iwi.</p>	<p>Partnering with neighbouring councils on a range of issues, including civil defence emergency management, environmental monitoring, estuarine health and marine biosecurity, the management of growth, and corporate and economic activities.</p> <p>Basing our partnership with iwi on the following principles: recognition of the contribution of Māori, common ground and interests shared of Council and the original people of this area, Tangata Whenua o Whakatū, Council's responsibilities towards Māori as set out in a variety of legislation.</p>	<p>An average per year of \$261,000 on operations over the next three years.</p>



COST OF SERVICES TABLE

The table below outlines the costs of our services on average per year over the next three years.

How Operating Costs are funded				
Activity	Capital Spending (\$m)	Operating Spending (\$m)	 Rates  Other, incl. Fees & Charges	Charge per Resident per Day* (dollars per day)
  TRANSPORT	13.1	21.2	54% 46%	0.56
 WATER SUPPLY	4.6	12.9	100% 0%	0.63
 STORMWATER AND FLOOD PROTECTION	8.8	6.8	100% 0%	0.33
 WASTEWATER	9.1	13.2	68% 32%	0.44
 SOLID WASTE	0.0	8.4	0% 100%	0.00
 SOCIAL AND CULTURAL ACTIVITIES	5.0	16.4	84% 16%	0.67

How Operating Costs are funded				
Activity	Capital Spending (\$m)	Operating Spending (\$m)	Rates Other, incl. Fees & Charges	Charge per Resident per Day* (dollars per day)
 PARKS AND ACTIVE RECREATION	7.0	17.6		0.66
 ENVIRONMENTAL PLANNING AND MANAGEMENT	0.4	6.3		0.30
 REGULATORY SERVICES	0.0	6.8		0.10
 ECONOMIC	0.3	2.1		0.09
 CORPORATE	3.0	9.9		0.07
 GOVERNANCE	0.0	6.9		0.05
TOTAL	\$51.3mil	\$128.5mil		3.91

*This represents the operating spending required per resident per day, based on a forecast population of 56,100 (in 2023, under a high growth scenario). Please note that operating spending includes depreciation, provision for inflation, finance costs and internal charges.

FINANCIAL STRATEGY



Council's financial strategy aims to balance the need to keep rates affordable and to limit borrowing, while getting the most out of our capital spending and delivering as much as possible for the community. Council has consistently stayed within the limits it has set regarding rates increases and borrowing and debt levels.

Council's comprehensive financial strategy is developed as part of, and set out in, the Long Term Plan. The strategy outlines how Council will:

- provide for growth in its region and manage changes in land use
- ensure that the level of rates and borrowing are financially sustainable and are kept within pre-set limits
- be accountable for maintaining the assets that it owns on behalf of the community
- fund network infrastructure and maintain levels of service
- obtain pre-set returns on financial investments and equity securities
- give securities on borrowing.

In preparing the strategy, Council considered:

- service levels, the costs of these services and the money required to achieve those levels of service
- priorities for expenditure across all activities
- setting rates and charges across the full 10 year period of this Long Term Plan and how to minimise these while achieving the targeted levels of service
- the level of debt that current and future ratepayers would need to fund
- the level of growth that is expected in the next 20 years and beyond.

Our rates, our borrowings and our capital spending are the three financial 'levers' that influence what services we can provide. We have to find the right

mix of settings for these levers. Generally, the goal is to keep rates and borrowings as low as we can, while delivering the services that our community expects. We have set limits in relation to each of these three levers.

RATES

Council sets a limit on rates increases during its Long Term Plan process and this is updated for each financial year (from July to June). The limit is based on the Local Government Cost Index (LGCI) plus 2%. Long Term Plan rates increases are also based on the assumption that there will be 1.00% growth (equivalent to 220 new rating units) in the rating base in each year of the Long Term Plan.

Council has also set a limit of \$105 million per year for the total rates requirement. In 2019/20 the rates requirement is \$77 million.

BORROWINGS

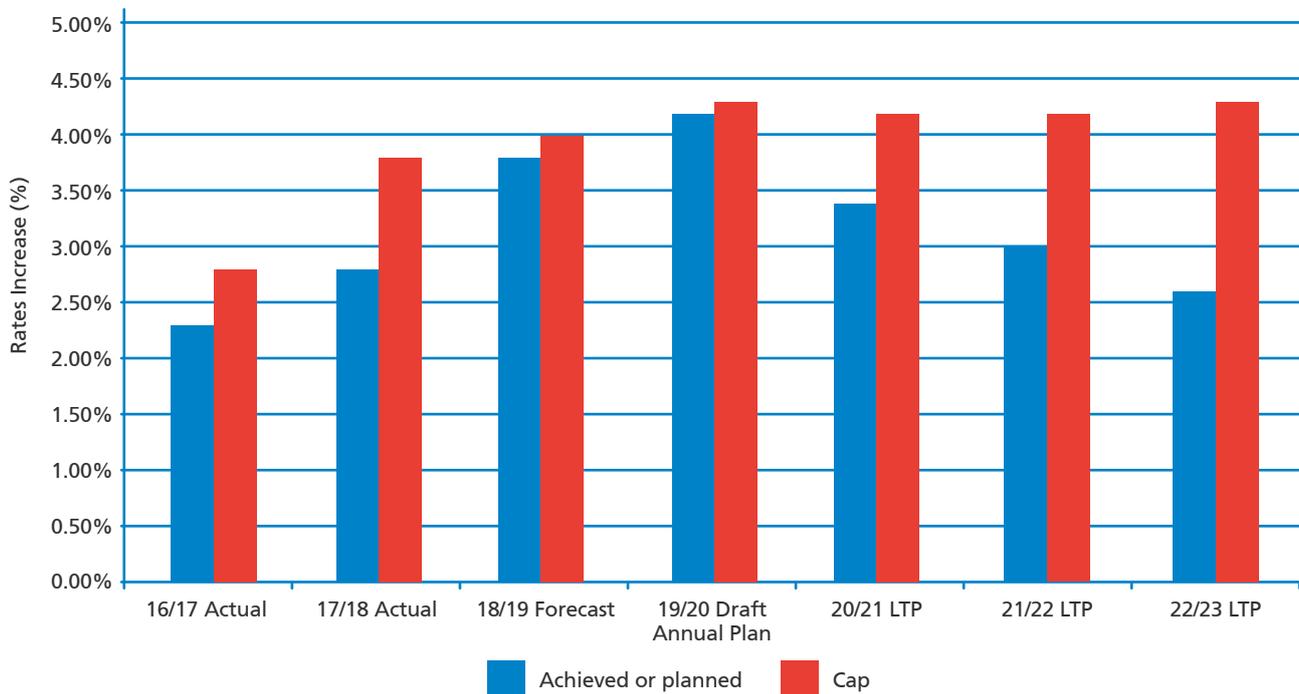
Net debt cannot exceed 150% of total revenue. By this measure, net borrowing cannot exceed \$175 million in 2019/20. Our total net borrowing will be \$91.7 million in 2019/20. A comparison of debt limits with forecast debt levels is set out in the graph 'Annual Debt Versus Debt Cap' which follows. Our net debt is projected to increase and peak at \$172 million in 2023/24.

CAPITAL EXPENDITURE

We plan to spend an average of \$47.8 million per year for the next three years, and \$46.7 million in 2019/20.

HOW ARE WE GOING AGAINST OUR STRATEGY LIMITS?

RATES (INCREASES) AFFORDABILITY



This graph shows that our rates consistently stay within the limits set by the financial strategy.

In some years, rates rises are greater than the predicted rate of inflation. This reflects the following factors.

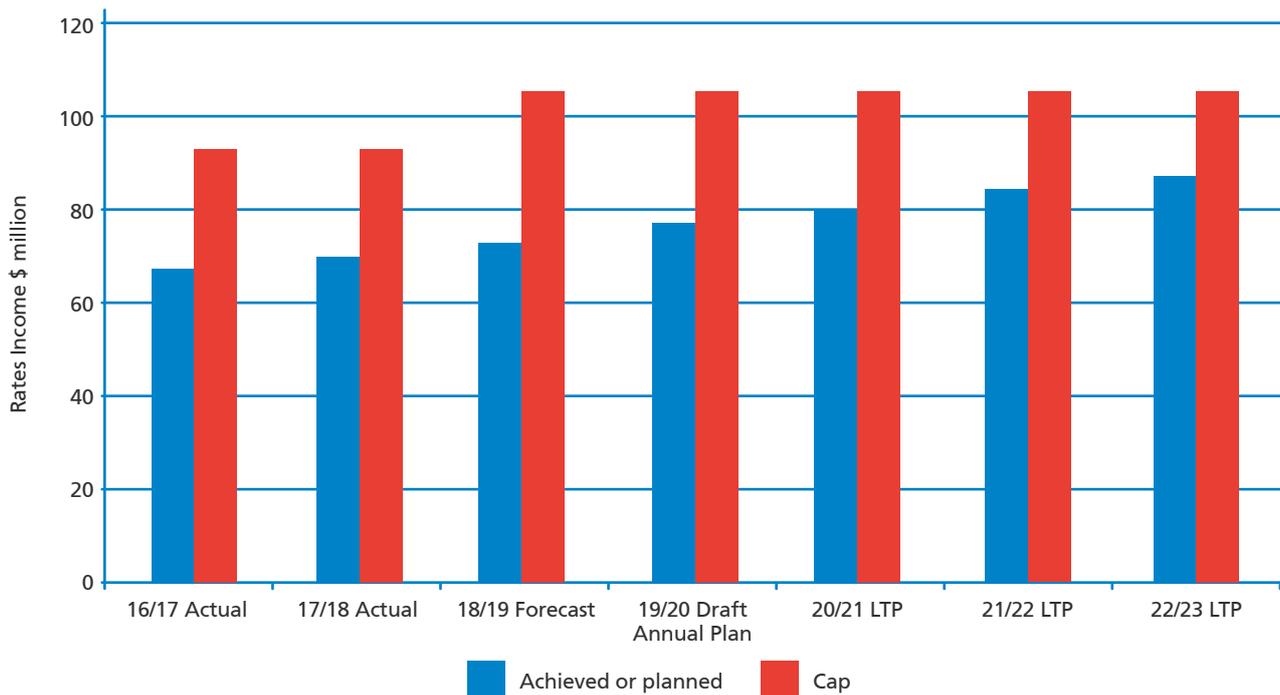
- Cost increases faced by Council, particularly for insurance and construction, which are projected to increase at a higher rate than the Local Government Cost Index (LGCI).
- Depreciation and interest payments – capital expenditure due to growth or improved services, along with annual asset revaluations, will mean there will be a corresponding increase in depreciation and interest charges.
- An increased work programme can occur due to changes in central government policies, such as National Policy Statements and National Environmental Standards, and as a result of increased community expectations.

Council recognises many residents have high costs of living relative to their incomes, and rates affordability is therefore an important consideration. Throughout the Long Term and Annual Plan processes, Council looks for every opportunity to reduce costs while taking guidance from the community on desired levels of service and the provision of new or improved facilities.

DEPRECIATION

Depreciation is the reduction in value of an asset throughout its life due to its use or it becoming obsolete. Council usually funds replacement costs for assets (depreciation) through rates so that the people who are benefiting from the use of assets pay for their replacement. This means that the costs of an asset are spread over the life-time of that asset and paid for by the generations that benefit from, or consume, that asset. Council infrastructure assets often have useful lives of 80 to 100 years.

RATES (INCOME) AFFORDABILITY



This graph shows that our rates requirement remains within the limits set by the financial strategy.



DEBT AFFORDABILITY

Council's net borrowings are well below the limits set in the financial strategy.

The financial strategy set three limits on borrowing, which are:

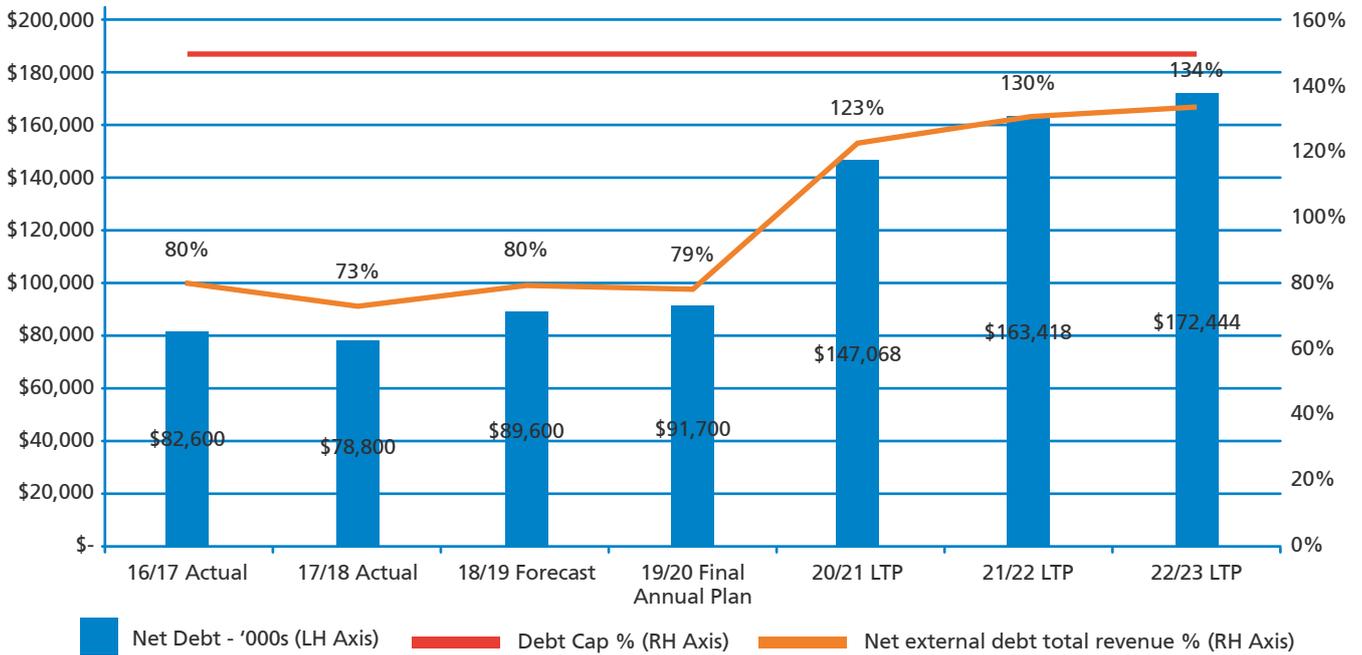
- net external debt² not to exceed 150% of total revenue³
- net interest expense on external debt as a percentage of total revenue to be less than 15%
- net interest expense on external debt as a percentage of total rates income to be less than 20%.

² Net external debt is defined as total debt less cash deposits

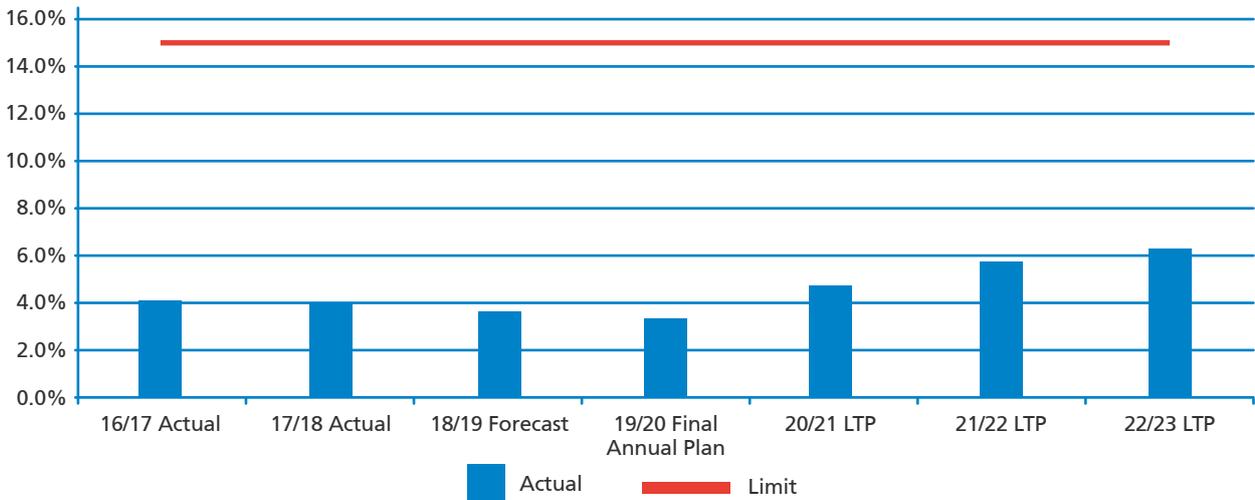
³ Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, and excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment.

These graphs show Council's compliance with these Debt Limits.

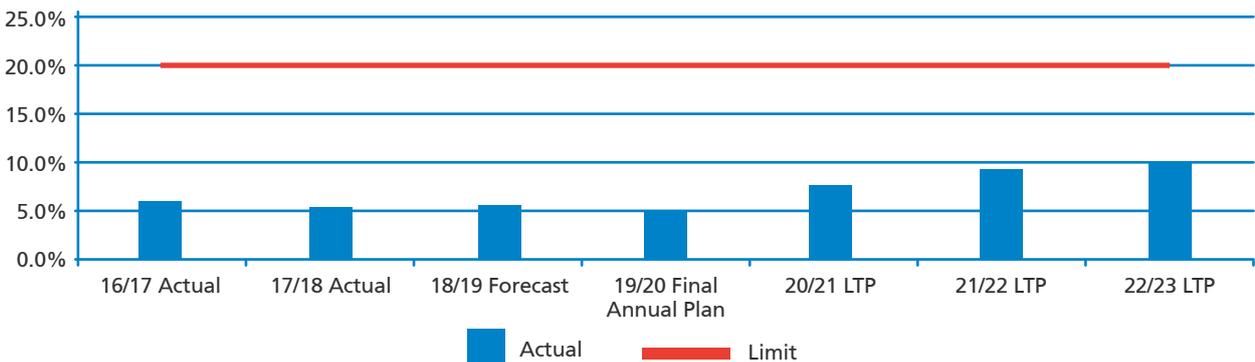
ANNUAL DEBT VERSUS DEBT CAP ('000S)



NET INTEREST TO REVENUE

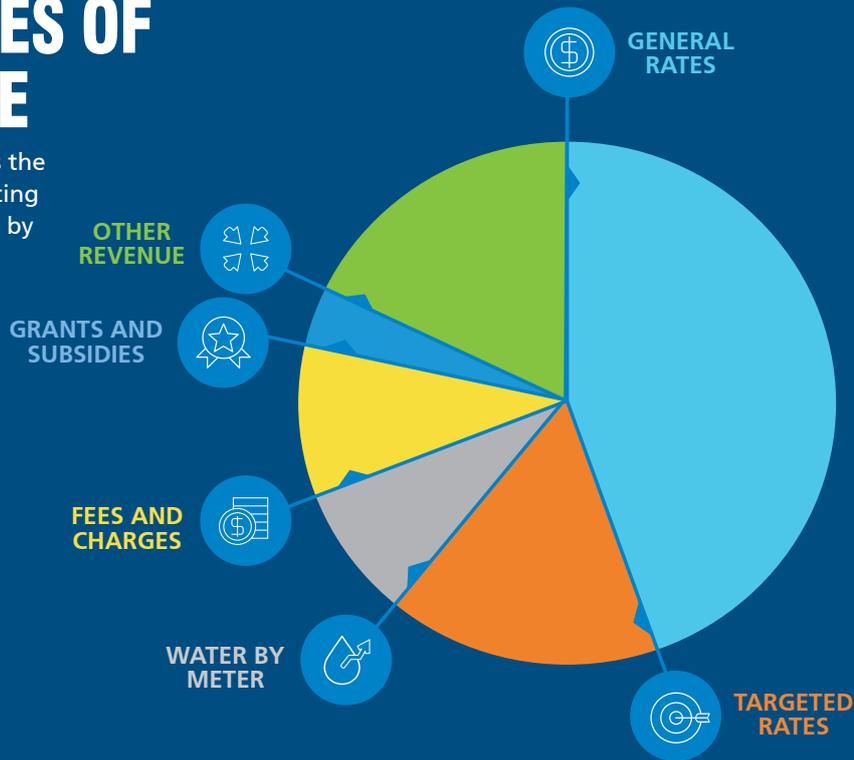


NET INTEREST TO RATES



SOURCES OF INCOME

This graph shows the sources of operating revenue received by Council.



INVESTMENTS

The 'other revenue' category includes money that Council receives from our portfolio of investments, which includes equity investments, asset investments (property and forestry) and associated organisations (our shareholding in Council Controlled Trading Organisations). Council makes investments when they offer strategic benefits or when they are necessary for Council to effectively carry out its functions.

In cash terms, Council acknowledges that investments in Port Nelson Ltd, Nelson Airport Ltd and Civic Financial Services may return less than Council's overall objective of receiving a return equal to or greater over time than the average cost of Council borrowing. The returns received from these investments are shown in the table below.

Investment	LTP Target Return	Actual		Forecast
		2016/17	2017/18	2018/19
Port Nelson Ltd	6% on average shareholder funds	6.7%	7.8%	8.6%**
Nelson Airport Ltd	5% on opening shareholder funds	7.6%	6.3%	5.3%*
Nelmac Ltd	7% on closing shareholder funds	5.6%	5.7%	4.4%*
Civic Financial Services Ltd	No return			

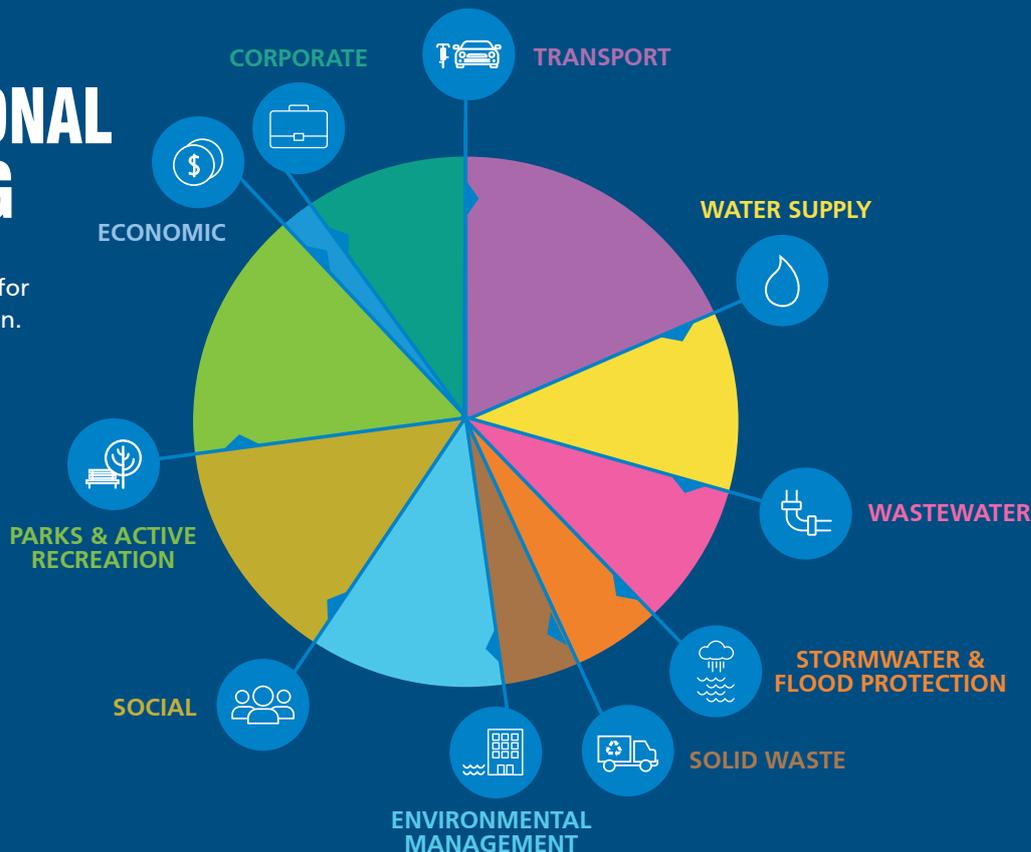
*Derived from 2018/19 Statement of Intent.

**Derived from 2018/19 Statement of Intent and may be impacted by any charges to other comprehensive revenue or expense.

Council also has approximately 546 hectares of commercial forestry which generate a return, while providing recreational opportunities.

PLANNED OPERATIONAL SPENDING

Total operating expenditure proposed for 2019/20 is \$112.9 million.



INFRASTRUCTURE STRATEGY

Our Infrastructure Strategy identifies critical strategic challenges for our transport, water supply, wastewater, stormwater and flood protection assets over the next 30 years, and outlines the options for responding to these challenges. Council has set four main priorities in relation to infrastructure. These are:

- increasing resilience to natural hazards
- maintaining and renewing existing assets
- providing infrastructure to enable growth and development
- maintaining or improving environmental outcomes.

Many factors and competing priorities influence infrastructure decisions, including:

- maintenance and renewal requirements of existing infrastructure
- changes in demand for services
- changes to user preferences or expectations
- risks associated with natural hazards

- delivery of desired environmental outcomes
- affordability and financial prudence
- economic conditions, regional circumstances, and technological changes.

Addressing strategic issues requires weighing up all these factors and developing a balanced approach to ensure infrastructure objectives and community outcomes are met. Current challenges identified in the Infrastructure Strategy that Council has addressed or is working to address include:

- sufficient funding for renewal of the transport network
- demands on the Water Treatment Plant from increasingly using water from the Maitai Dam
- accidental discharges from the wastewater rising main into Nelson Haven
- maintaining appropriate funding to renew the water and wastewater network
- addressing the impacts of climate change.



OUR FINANCES

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017 - 2023

	2016/17 Actual (\$000)	2017/18 Actual (\$000)	2018/19 Forecast (\$000)	2019/20 Annual Plan (\$000)	2020/21 LTP (\$000)	2021/22 LTP (\$000)	2022/23 LTP (\$000)
Current Assets							
Cash and cash equivalents	255	7,432	12,432	2,432	937	1,085	1,238
Inventories	0	0	0	0	0	0	0
Trade and other receivables	12,363	12,621	12,838	13,048	13,193	13,410	13,630
Other financial assets	752	6,834	2,463	2,602	431	390	422
Taxation	0	0	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0	0
Total Current Assets	13,370	26,887	27,734	18,081	14,561	14,885	15,290
Non Current Assets							
Trade and other receivables	0	0	0	0	0	0	0
Investments accounted for using the equity method	36,663	36,663	36,663	36,663	38,163	39,663	39,663
Investment in subsidiaries	8,200	8,200	8,200	8,200	8,200	8,200	8,200
Investment properties	1,100	1,150	1,173	1,201	1,193	1,219	1,247
Other non-current financial assets	5,035	4,698	4,170	2,859	5,242	5,442	5,638
Intangible assets	2,256	2,380	2,380	2,380	2,256	2,256	2,256
Biological assets	5,798	4,325	3,963	3,704	4,391	4,120	4,005
Property, plant, and equipment	1,453,564	1,504,615	1,539,868	1,603,053	1,660,294	1,715,605	1,793,486
Non-current derivative financial instruments	25	0	0	0	25	25	25
Total Non Current Assets	1,512,641	1,562,031	1,596,417	1,658,060	1,719,764	1,776,530	1,854,520
Total Assets	1,526,011	1,588,918	1,624,151	1,676,141	1,734,325	1,791,415	1,869,810
Current Liabilities							
Bank overdraft	0	0	0	0	0	0	0
Trade and other payables	12,327	15,867	16,153	16,368	13,187	13,411	13,639
Current Provisions	0	267	267	267	0	0	0
Employee benefit liabilities	2,105	2,101	2,139	2,175	2,258	2,296	2,335
Taxation payable	0	0	0	0	0	0	0
Current portion of borrowings	2,350	6,400	16,594	24,123	13,005	39,503	23,682
Current derivative financial instruments	40	116	116	116	40	40	40
Total Current Liabilities	16,822	24,751	35,268	43,049	28,490	55,251	39,697
Non Current Liabilities							
Non-current trade and other payables	931	1,101	1,042	399	695	636	577
Provisions	1,313	1,508	1,425	1,563	1,675	1,706	1,738
Non-current employee benefit liabilities	223	232	236	240	248	252	257
Derivative financial instruments	5,401	6,058	6,058	6,058	5,401	5,401	5,401
Non-current portion of borrowings	90,000	90,000	85,000	70,000	135,000	125,000	150,000
Total Non-Current Liabilities	97,868	98,899	93,761	78,261	143,019	132,995	157,973
Total Liabilities	114,690	123,650	129,030	121,310	171,509	188,246	197,670
Net Assets	1,411,321	1,465,268	1,495,121	1,554,831	1,562,816	1,603,169	1,672,141
Ratepayer's Equity							
Accumulated comprehensive revenue and expense	414,580	422,811	436,035	553,479	566,353	607,586	676,511
Other reserves	996,741	1,042,457	1,059,086	1,001,352	996,463	995,583	995,630
Total Ratepayer's Equity	1,411,321	1,465,268	1,495,121	1,554,831	1,562,816	1,603,169	1,672,141

FUNDING IMPACT STATEMENT

FOR THE YEARS ENDED 30 JUNE 2017 - 2023

	2016/17 Actual	2017/18 Actual	2018/19 Estimate	2019/20 Annual Plan	2020/21 LTP	2021/22 LTP	2022/23 LTP
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Sources of Operating Funding							
General rates, uniform annual general charges, rates penalties	44,078	45,834	47,160	49,471	51,787	53,482	55,520
Targeted rates	23,072	23,927	25,713	27,177	28,384	30,109	31,157
Subsidies and grants for operating purposes	3,729	3,741	4,032	4,137	3,955	3,891	4,145
Fees and charges	7,609	7,664	9,540	10,583	10,883	11,226	11,366
Interest and dividends from investments	4,019	3,376	4,698	3,608	3,686	3,748	3,812
Local authorities fuel tax, fines, infringement fees, and other receipts	18,407	16,058	15,909	14,480	15,680	16,209	16,629
Total Operating Funding	100,914	100,600	107,052	109,456	114,375	118,665	122,629
Applications of operating funding							
Payments to staff and suppliers	73,923	71,940	79,718	81,922	87,585	82,356	83,874
Finance costs	4,218	4,320	4,637	3,961	6,237	7,845	8,727
Other operating funding applications	0	0	0	0	0	0	0
Total applications of operating funding	78,141	76,260	84,355	85,883	93,822	90,201	92,601
Surplus (Deficit) of operating funding	22,773	24,340	22,698	23,573	20,553	28,464	30,028
Sources of capital funding							
Subsidies and grants for capital	2,809	4,209	4,766	6,242	5,112	6,570	5,824
Development and financial contributions	3,414	4,242	4,470	3,499	3,701	3,781	3,866
Increase (decrease) in debt	10,950	(7,690)	5,194	2,936	25,810	15,903	9,247
Gross proceeds from sale of assets	688	8,857	810	9,208	27	28	0
Lump sum contributions	0	0	0	0	0	0	0
Total sources of capital funding	17,861	9,618	15,240	21,885	34,650	26,282	18,937
Applications of capital funding							
Capital Expenditure							
- to meet additional demand	4,260	3,345	3,223	6,602	9,149	12,421	7,644
- to improve level of service	22,951	20,277	18,345	24,382	31,996	29,264	27,041
- to replace existing assets	10,764	10,492	16,774	15,753	12,136	12,204	14,030
Increase (decrease) in reserves	3,792	(5,756)	(623)	2	211	(771)	54
Increase (decrease) in investments	(1,133)	5,600	219	(1,281)	1,711	1,628	196
Total applications of capital funding	40,634	33,958	37,938	45,458	55,203	54,746	48,965
Surplus (Deficit) of capital funding	(22,773)	(24,340)	(22,698)	(23,573)	(20,553)	(28,464)	(30,028)
Funding balance	0	0	0	0	0	0	0

SUMMARY OF CASH FLOWS

FOR THE YEARS ENDED 30 JUNE 2017 - 2023

	2016/17 Actual (\$000)	2017/18 Actual (\$000)	2018/19 Forecast (\$000)	2019/20 Annual Plan (\$000)	2020/21 LTP (\$000)	2021/22 LTP (\$000)	2022/23 LTP (\$000)
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash was provided from:							
Receipts from rates revenue	67,015	69,501	72,873	76,648	80,076	83,488	86,572
Subsidies and grants received	6,536	7,949	8,798	10,379	9,067	10,461	9,969
Receipts from other revenue	26,394	25,915	25,232	24,854	26,458	27,321	27,880
Development and financial contributions	3,414	4,242	4,470	3,499	3,701	3,781	3,866
Interest Received	59	242	9	9	9	9	9
Dividends Received	3,110	3,634	4,689	3,599	3,677	3,739	3,803
	106,528	111,483	116,071	118,988	122,987	128,799	132,099
Cash was disbursed to:							
Payments to suppliers	60,981	51,746	58,861	59,279	66,730	61,012	62,038
Payments to employees	17,117	17,901	20,378	22,318	20,662	21,114	21,600
Interest Paid	4,217	4,320	4,637	3,961	6,237	7,845	8,727
Tax Paid/(refund)	0	0	0	0	0	0	0
	82,315	73,967	83,876	85,558	93,629	89,971	92,365
Net Cash Flows from Operating Activities	24,213	37,516	32,195	33,430	29,359	38,828	39,734
CASH FLOWS FROM INVESTING ACTIVITIES							
Cash was provided from:							
Sale of Investments and properties for resale	0	0	0	8,383	0	0	0
Repayment of LGFA borrower notes	0	0	80	160	320	0	240
Sale of biological assets	0	0	530	380	0	271	115
Sale of fixed assets	688	9,334	810	825	27	28	0
Repayment of community loans and advances	713	408	(24)	1,231	397	232	160
	1,401	9,742	1,396	10,979	744	531	515
Cash was disbursed to:							
Investments in LGFA* borrower notes	320	80	240	80	880	320	560
Community loans advanced	0	680		0	0	0	0
Other investments	433	5,393	(4,965)	0	1,500	1,500	0
Purchase of biological assets	0	0	168	121	40	0	0
Purchase of intangible assets	515	732		0	0	0	0
Purchase of fixed assets:							
Renewals	10,275	9,851	16,774	15,753	12,136	12,204	14,030
New works – growth	4,452	3,453	3,223	6,602	9,149	12,421	7,644
New works - Increased level of service	22,757	23,942	18,345	24,382	31,996	29,264	27,041
	38,752	44,131	33,785	46,938	55,701	55,709	49,275
Net Cash Flows from Investing Activities	(37,351)	(34,389)	(32,389)	(35,959)	(54,957)	(55,178)	(48,760)
CASH FLOWS FROM FINANCING ACTIVITIES							
Cash was provided from:							
Proceeds from borrowings	32,215	8,200	10,194	2,529	34,218	24,761	16,910
Cash was applied to:							
Repayment of borrowings	21,265	4,150	5,000	10,000	8,477	8,263	7,731
Net Cash Flows from Financing Activities	10,950	4,050	5,194	(7,471)	25,741	16,498	9,179
Net Increase/(Decrease) in Cash Held	(2,188)	7,177	5,000	(10,000)	143	148	153
Add Opening Cash Balance	2,443	255	7,432	12,432	794	937	1,085
Closing Balance	255	7,432	12,432	2,432	937	1,085	1,238
Represented by:							
Cash and Cash Equivalents	255	7,432	12,432	2,432	937	1,085	1,238
Closing Balance	255	7,432	12,432	2,432	937	1,085	1,238



FINANCIAL INFORMATION IN THIS REPORT

The financial information in this document covers the three financial years before the year of this election, and the three years after the year of this election.

The information on past performance is from the audited annual reports of 2016/17 and 2017/18, along with a forecast of the final position for 2018/19. At the time of writing, the 2018/19 financial year has not been completed and is therefore unaudited and the estimate is subject to change.

The information looking ahead is in the first instance from the audited Long Term Plan 2018-28 for the three years 2020/21 to 2022/23.

We have also included information from the Annual Plan 2019/20 for completeness.



Photo: Mountainbikers on Dun Mountain Trail - Grant Stirling



Nelson City Council
te kaunihera o whakatū

Civic House, 110 Trafalgar St, Nelson
PO Box 645, Nelson, 7040
enquiry@ncc.govt.nz
03 546 0200

nelson.govt.nz